

MEMO ROUTING SLIP		NEVER USE FOR APPROVALS, CONCURRENCES, OR SIMILAR		APPROVALS, ACTIONS	
1	NAME OR TITLE <b>Mr. W. F. Friedman</b>	INITIALS			CIRCULATE
	ORGANIZATION AND LOCATION <b>310 2nd St. S. E.</b>	DATE			COORDINATION
2	<b>Washington 3 D. C.</b>				FILE
					INFORMATION
3					NECESSARY ACTION
					NOTE AND RETURN
4					SEE ME
					SIGNATURE

## REMARKS

As we discussed 7 December 1955, I am inclosing six copies of Department of Defense Directive No. 2000.3, dated 15 April 1954. Each copy is accompanied by an Inclosure 1, and a single copy of Inclosure 2 (with which I think you are familiar) is included.

I am forwarding also a single copy of a letter from the Comptroller General of the United States to the Secretary of the Army, dated 24 March 1949, relating to the claim of one Harry A. Knox for the infringement by the United Kingdom of certain patents owned by him covering inventions made by him while a Government employee.

Approved for Release by NSA on 05-21-2014 pursuant to E.O. 13526

FROM NAME OR TITLE <b>HENRY B. STAUFFER, NSA 3024</b>	DATE <b>9 Dec. 55</b>
ORGANIZATION AND LOCATION <b>National Security Agency, Washington, D.C.</b>	TELEPHONE <b>60255</b>



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON 25

*Handwritten initials and marks*

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MAR 24 1949

The Honorable,

The Secretary of the Army.

My dear Mr. Secretary:

Reference is made to letter of November 30, 1948, with enclosure, from the Assistant Secretary of the Army, presenting for consideration the proposed settlement by the Department of the Army of a claim in favor of Harry A. Egan for the infringement of certain patents owned by him relating to the construction of military tanks and assemblies therefor.

It appears that, prior to January 1, 1942, the United Kingdom entered into certain contracts with United States concerns for the construction of a number of military tanks and assemblies. In these contracts, the United Kingdom agreed to indemnify the manufacturers against any and all claims for patent infringements incident to such manufacture. The tanks and assemblies covered by the contracts were constructed for and delivered to the United Kingdom until the time when the contracts were taken over by the United States pursuant to "take-over" agreements entered into as a result of the determination, under lend-lease arrangements, that the United States would administer all war construction in this country and that the United Kingdom would administer all war construction within its borders, the material produced to be pooled and utilized to the best advantage in the common war effort.

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The claimant is a retired civilian employee of the United States Government. During the time of such employment he invented certain improvements, etc., to military tank construction. These inventions he patented, substantially giving to the United States Government the manufacture or use the inventions for its own purposes.

It has been determined that inventively that the manufacture of the tanks and assemblies for the United Kingdom infringed the valid patents issued by the claimant, who took steps to assert his claim against the manufacturers. Thus, by reason of the agreement to indemnify the manufacturers against such claims, the United Kingdom became liable to the claimant for all such manufacturers which took place under the contract prior to the time when the United States took over the contract, after which time such manufacturers was "by and for the United States" and within the license given the United States by the claimant. The United States and the United Kingdom entered into a Patent Interchange Agreement effective January 1, 1942 ("Patent and Other International Acts Series 1519, as amended March 27, 1946, 60 Stat. 1566). Article VIII of the Patent Interchange Agreement reads in pertinent part as follows:

"4.4 For the purpose of this paragraph (a) claims awarded by nationals of the United States of America under any United States patents against United Kingdom Government contractors or subcontractors shall be deemed to be claims subject to indemnification by the Government of the United States of America in cases where the Government of the United Kingdom has agreed and undertaken to indemnify and save harmless such contractors or subcontractors against any liability resulting from the use of any patented invention."

Article IX (b) of the same agreement reads:

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That, upon birth, no violation of any such claim, the invention of the United States of America will, so far as Article 101, Chapter of such claim through negotiations with the claimant."

Apparently, pursuant to these provisions, the United Kingdom called upon the United States to negotiate with the claimant with respect to the parties of his claim covering infringements by manufacture which took place after January 1, 1912, the effective date of the patent interests in agreement. Such agreements to the extent to the second military appropriation Act, 1916, under the heading "Various Aid, Hospital and Ambulance Program" (62 Stat. 293) for payment of claims approved prior to June 30, 1916, under a patent interchange agreement entered pursuant to the provisions of 5 Stat. 21, have been made available to the Department of the Army. Negotiations between the claimant, the United Kingdom and the Department of the Army have resulted in (1) an agreement whereby the claimant accepted \$4,000 from the United Kingdom for the infringements which took place prior to January 1, 1912, and (2) a proposed patent license contract, submitted with your letter, whereby the United States would pay \$35,000 to the claimant for infringements by manufacture between January 1, 1912, and the date of the respective "make-over" agreements referred to above.

Article IV of the Patent Interchange Agreement, page 60, reads as follows:

The patent rights, inventions, improvements, designs, or processes shall be protected by either Government under this Agreement

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nor shall the provisions set forth in Articles 1, 2, 3, 4, 5, and 6 of this Agreement apply in respect of any use or infringement occurring during the continuance in effect of a license agreement or other contractual obligation in existence on January 1, 1942 between a national of one government on the one hand and a national of the other government on the other hand covering such patent rights, information, inventions, designs, or processes; provided that if such license agreement or other contractual obligation be nonexclusive, such patent rights, information, inventions, designs, or processes may be requested by either government under this agreement in respect of their use or infringement by nationals of the requesting government other than the national holding such license agreement or other contractual obligation and the indemnities aforesaid shall, if otherwise applicable in accordance with their terms, apply to the same extent."

If the phrase "other contractual obligation" in this article be construed to embrace a contractual obligation to indemnify a patent claim for infringement, it would seem that payment to Dr. King under the proposed patent license contract would be improper, since the cited Kingston's contracts to indemnify the manufacturers were in existence on January 1, 1942, and continued in existence thereafter. However, it is urged in support of Dr. King's claim that the phrase "other contractual obligation" was intended to refer only to other contractual obligations in the nature of licenses, such as could be entered into only between parties capable of giving and receiving rights similar to those transferred by license agreements. It is urged also that the language of Article 9, (a) of the Patent Interchange Agreement, quoted above, so clearly covers the instant case as to make it seem impossible that the drafters of the Agreement could have intended to counteract the effect of the language thereof by writing conflicting language into Article . The final report

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to the Secretary of State by the American Chairman of the Joint-British-American Patent Interchange Committee under Article 15(1) as what is meant by the phrase "other contractual obligation" in Article XVI, but it indicates that the primary purpose of that article was to avoid situations in which American regulations under the Patent Interchange Agreement would impact exclusively themselves, even if shown to obtain prior to January 1, 1942.

In a letter dated March 14, 1949, from the Under Secretary of State, with reference to the matter, it is stated:

"...representatives of this Agreement have also consulted with other persons more immediately familiar with the intention and operation of the Patent Interchange Agreement, including representatives of the British Government who have been associated with those operations. All such persons have confirmed the understanding of this Department that the Agreement was intended to cover classes of the type involved in the *Kearney* case, and that to interpret the words 'other contractual obligations' in Article XVI as referring to an obligation of the type represented by the *Lehmkuhl* claim given by the British Government to American manufacturing concerns would not be in conformity with their understanding of the intention of the Agreement. It is of the utmost importance in our foreign relations that agreements of this nature be carried out in accordance with the intentions of the advisory committee. To accomplish this end, intervenors' placed upon the terms of the agreement by such government should be such as to further those intentions to the maximum possible extent."

In the circumstances, and since the interpretation placed on their own language by the drafters of an agreement must be given great weight, especially where the contractive parties are in a row-hunt as to the true meaning, I perceive no basis for intervening any objection to the substance of the Patent Invention Contract and

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the payment of the consideration covered thereby.

The contract and voucher are returned herewith.

Respectfully,

(Signed) Andrew C. ...  
Comptroller General  
of the United States.

Enclosure.

RECEIVED  
12 MAR 53 4 55 PM '53  
OFFICE OF THE COMPTROLLER GENERAL OF THE UNITED STATES